

For Immediate Release  
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### **Tax Credit Program Reduction Recommendations Accepted by DED**

Missouri Department of Economic Development (DED) Director Joe Driskill released a report today from his Ad Hoc Tax Credit Task Force, recommending a reduction of \$7.7 million in costs associated with several of its tax credit programs.

These recommendations were made in response to a directive from Gov. Bob Holden to cut \$7.5 million from the cost of tax credit programs administered by the department because of the state's tight budget. DED administers 31 tax credit programs, which are estimated to cost \$220 million in the current fiscal year.

"We have reviewed the recommendations and the Department of Economic Development will implement them without change," said Driskill.

Only 14 of the 31 DED-administered tax credit programs are discretionary and could even be considered for cost reductions because those allow for funding limits or other forms of reductions. The others are non-discretionary programs, which have statutory guidelines and cannot be altered without changes in state law.

Recommendations included complete elimination of funding for two programs this fiscal year since no applications had been received for them. Those are \$400,000 for Brownfield Demolition and \$350,000 for a New Generation Co-op program.

Three other programs were recommended for no reductions: the Neighborhood Assistance Program; Development Program; and the Small Business Incubator credits. (A complete list of recommended reductions is attached)

"The Governor challenged us to make changes in several of the department's tax credit programs that will result in substantial cost-savings for the state. This is a very serious issue that drew a lot of interest from across the state so we were very deliberative in our process," said Driskill. "I want to commend the task force for their hard work, not only in making recommendations for cuts but other input they provided us on how to make our tax credit programs more effective in the future."

Driskill pointed out that the 12 task force members unanimously approved the final recommendations, which reflect their decision to target reductions by program rather than pro rata.

The Task Force held a public hearing on tax credits in October and met for several working sessions to discuss and study the department's various tax credit programs, analyze the true costs associated with the programs and to chart historical patterns of tax credit redemption.

Driskill said he has accepted an offer from task force members to continue meeting and help prepare a long-term plan to address the complex issue of tax credits.

"We will continue a dialogue on issues such as caps or limits for certain tax credit programs, uniformity of definitions, consolidations of similar programs, identification of additional methods to measure return on the state's investment, and other types of reforms that could create greater economic benefit for more Missourians

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Serving on the task force are: Mitch Robinson, executive director of the Cape Girardeau Area Industrial Recruitment Association; Dr. Ed Robb, director of the Economic and Policy Analysis and Research Center at the University of Missouri; Kathy Bader, from Firstar Bank in St. Louis; Peter DeSimone, executive director of the Missouri Association for Social Welfare; Jerome Schlichter, an attorney from St. Louis; Jim Devine, president and CEO of the Lee's Summit Economic Development Council; Carol Fischer, director of the Missouri Department of Revenue; Chip Cooper, executive director of the Missouri Innovation Center in Columbia; William A. Hall, president of the Hall Family Foundation in Kansas City; Ruth Roetheli Ehresman, from Citizens for Missouri's Children in St. Louis; Patty VanWeelden, director of housing for the Ozarks Area Community Action Corp.; and Peter Yelorda, from BlueCross BlueShield of Kansas City.

### Recommended Tax Credit Program Reductions

Program	Total FY02 Projected Cost	Recommended Reduction	Total FY02 Adjusted Cost
Development	\$2,880,000	0	\$2,880,000
Film	\$720,000	\$420,000	\$300,000
Brownfield Remediation	\$7,375,826	\$456,000	\$6,919,826
Brownfield Jobs	\$150,000	\$30,000	\$120,000
Brownfield Demolition	\$400,000	\$400,000	0
MDFB Infrastructure	\$8,500,000	\$1,400,000	\$7,100,000
New Enterprise Creation	\$4,080,000	\$500,000	\$3,580,000
Research	\$8,000,000	\$2,800,000	\$5,200,000
New Generation Co-op	\$350,000	\$350,000	0
Incubator	\$150,000	0	\$150,000
Youth Opportunity	\$2,900,000	\$120,000	\$2,780,000
Neighborhood Assistance	\$13,000,000	0	\$13,000,000
New Jobs Training	\$14,850,000	\$1,000,000	\$13,850,000
Neighborhood Preservation	\$8,700,000	\$224,000	\$8,476,000

### Tax Credit Program Descriptions

- **Development** provides incentives to eligible donors who make contributions to a not-for-profit corporation, which in turn uses the cash to purchase certain assets and then leases them to a business.
- **Film Production** provides an incentive to film production companies to make a film in Missouri.
- **Brownfield Remediation** provides incentives for the redevelopment of commercial/industrial sites abandoned or underutilized due to contamination caused by hazardous substances.
- **Missouri Development Finance Board (MDFB) Infrastructure** assists in the funding of essential public infrastructure improvements necessary to facilitate the expansion of existing businesses or attraction of new businesses to Missouri.
- **New Enterprise Creation** generates investment for new, startup Missouri businesses that have not developed to the point where they can successfully attract conventional financing or significant venture capital from later-stage funds.
- **Research** induces existing businesses to increase their research efforts in Missouri.
- **New Generation Co-op** induces private investment in new generation cooperatives that process Missouri agricultural products into value-added goods, or in not-for-profit organizations that sell or add value to Missouri agricultural food products.

- **Small Business Incubator** generates private funds to be used to establish a "protective business environment" (incubator) in which a number of small businesses can collectively operate to foster growth and development during their start-up period
- **Youth Opportunity Program (YOP)** broadens and strengthens opportunities for positive development and participation in community life for youth, and to discourage such persons from engaging in criminal and violent behavior.
- **Neighborhood Assistance Program (NAP)** provides assistance to community-based organizations that enable them to implement community or neighborhood projects in the areas of community service, education, crime prevention, job training and physical revitalization
- **Community College New Jobs Training** provides assistance to companies creating a substantial number of new jobs in Missouri by assisting with the costs of training new employees.
- **Neighborhood Preservation** provides an incentive to rehabilitate owner occupied housing or to construct new owner occupied homes in certain areas of the state.